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The Honorable John H. Ware
House of Representatives

Dear Mr. Ware:

On April 20, 1974, you requested that we review a matter brought to your attention by Mr. Allen M. Rubin concerning a procurement of dental chairs by the Big Valley Area Medical Center, Belleville, Pennsylvania.

Mr. Rubin's letter stated that in February 1974 the Center issued an order for purchasing dental equipment--including four Virginia dental chairs for which Mr. Rubin is the company representative--to A. Leventhal & Sons Inc., Scranton. According to Mr. Rubin, this order was subsequently changed to include four Ritter dental chairs in place of the Virginia chairs, at an additional cost of between \$400 and \$500 for each chair, or a total increase of about \$1,700. Mr. Rubin further stated that he had discussed the procurement with Mr. G. A. Cornelius, the Administrator of the Center, but could not obtain a satisfactory explanation for the change.

We have reviewed the matter and have discussed the procurement with the Administrator and with officials of the Department of Health, Education, and Welfare (HEW) regional office in Philadelphia. This letter summarizes the information we obtained.

The Center was awarded a grant for operating a demonstration health project under section 202 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App. 202). Under this grant, the Center informally requested proposals for miscellaneous dental equipment from three suppliers, which were furnished a list of dental equipment and a floor plan of the Center's dental area for use in preparing their proposals. A fourth supplier, which was not originally solicited, requested and received permission to submit a proposal.

The Administrator said the equipment list, which called for Virginia dental chairs, was merely a guideline to satisfy HEW requirements for grantees. The list was prepared with the assistance of a dental equipment supplier on a fee basis and a local dentist who was then being considered for employment by the Center.

The Administrator further informed us that suppliers were not required to restrict their proposals to the items shown on the equipment list but were free to substitute items which they believed would best serve the Center's needs. Since this was not an advertised procurement, suppliers were not advised of changes in items on the list.

The Center's procurement file tended to support these statements. For example, one supplier stated in its proposal that it realized that

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the Center's objective at that time was to obtain information and assistance in selecting dental equipment, and it recommended a Dental-ez chair instead of the Virginia chair, although it could also supply the latter. A. Leventhal & Sons Inc., which was eventually selected as the supplier, questioned the choice of certain equipment because of the apparent lack of space in the dental working areas and also noted that the specifications were vague and misleading. As a result of the Leventhal comments, the Center thoroughly reviewed the equipment included in the list.

On January 31, 1974, the Center's Equipment Committee reviewed the four proposals for dental equipment. According to the Administrator, the proposals were based on the suppliers' prices, including discounts, with adjustments for individual items added to or deleted from the initial proposals. No detailed documentation was available, however, to show how the total adjusted prices for each supplier were determined.

After considering the proposals, the Committee approved a motion, subject to the approval of the Board of Directors, calling for the acquisition of all dental equipment from the lowest acceptable bidder, Leventhal.

On February 11, 1974, the Board approved the proposal to negotiate with Leventhal for acquiring the dental equipment, subject to changes by the Committee and Board approval of the final equipment selection before purchase.

On February 12, 1974, the Administrator of the Center notified Leventhal that it had been selected. There is no indication in that letter that the Center had accepted Leventhal's initial proposal, which included the Virginia chairs.

Subsequently, Leventhal submitted two alternate equipment lists to the Center. The Board of Directors approved the proposal and list which included the Ritter chairs on March 11, 1974.

According to an HEW regional office official

- no strict requirements are imposed on grantees in procurements of this type;
- grantees are not obligated to purchase the exact equipment listed in their original applications, nor are they required to obtain prior HEW approval to purchase another brand of equipment once the need for the item has been justified and approved; and
- the Ritter chairs were included in the equipment list approved by the HEW regional office on March 14, 1974.

The Administrator informed us that the Center had recently hired a dentist from the Veterans Administration Hospital, Dayton, Ohio. Although this dentist did not participate in selecting the dental equipment, we were informed that he was satisfied with the choice of the Ritter chairs and had stated that the same type of chairs was recently acquired by the Dayton hospital.

Although the unit price quoted by Leventhal for the Ritter chairs (\$2,685) was \$415 higher than the unit price it quoted for the Virginia chairs (\$2,270), the Administrator stated that the Center had purchased the dental equipment which it believed would best meet the Center's needs and that the Equipment Committee and Board of Directors had approved the procurement. The Administrator also stated that the Center had not accepted any proposal for Virginia chairs nor had the Board of Directors ever recommended such action.

In view of the information presented above and considering that the chairs were procured under the contract awarded to the lowest acceptable bidder selected when the procurement was approved, we know of no basis for questioning the purchase of the Ritter chairs.

The views of the Center and HEW regional office officials were considered in preparing this report. We plan no further distribution unless you agree or publicly announce its contents.

Sincerely yours,



[Deputy] Comptroller General
of the United States